

Portfolio Update and Financial Reports

Including an Update on Progress against the Expense Reduction Plan and Details Regarding Senior Management Travel

As of 01/31/10 (unaudited)

The credit and liquidity crisis that began in July 2007 continues to strain global financial markets. Members United is committed to providing our member-owners information about these market events and the quality of our assets. We strive to provide objective, transparent information regarding our safety and soundness.

Economic Overview

News of a potential default in Greek sovereign debt, along with various bailout rumors, dominated the headlines lately. Credit spreads widened as fears of large European bank exposures to Greece, along with other heavily-indebted European countries (Portugal, Ireland, Italy and Spain; collectively with Greece known as the "PIIGS"), have caused some investors to be concerned about the stability of the banks. The increase in perceived risk has created a flight to quality, which has hurt the equity markets. The S&P 500 is down almost 4% over the past month and 2% year-to-date.

The current condition of Greece has caused many to contemplate if the United States could be on a similar path. The Greek government increased public spending substantially since it joined the Euro in 2001. The increased spending, combined with an unwillingness to increase taxes has caused deficit levels to explode. On the surface, it's easy to see the similarity between Greece and the US. Public spending in the US has increased dramatically given the war on terror and various stimulus packages. In addition, taxes have been most recently cut and many politicians are wary to mention tax increases in an election year. This has caused the US deficit to increase to 9.9% of GDP, which isn't that far below Greece's level of 12.7%.

In the near term, we see little risk of a Greek-type situation developing in the US. This is mainly because the US still enjoys reserve currency status. This limits the downside risk to the dollar and keeps a lid on interest rates, which makes the debt cheaper to fund. This provides the US with a much higher sustainable debt position than other countries. The two major challengers to the dollar as the reserve currency are the euro and the yuan, and both seem far off from being able to attain reserve currency status. In the longer term, there are reasons for concern. As the baby boomers retire and healthcare costs continue to grow faster than the general inflation rate, public spending will continue to outpace government receipts, if all else is held constant. In order to avoid this, healthcare costs will have to be reined in, other public spending initiatives reduced and/or taxes increased. None of these measures are likely to be popular, as evidenced by recent attempts to modify healthcare. There will be time to tackle the deficit in the future, but it will take a bipartisan effort, which is something that Washington is short of these days.

As we have mentioned before, the labor market is the key to the economic turnaround and it seems that we are on the verge of private job growth for the first time since the end of 2007. Labor indicators are pointing to an improved job market. Jobless claims have declined, online job advertising has increased, aggregate hours worked has increased, and temporary staffing jobs have grown. We expect to see private job creation as soon as the next employment report. It is important to separate public versus private employment in the coming months, as the Census will temporarily skew public employment higher and the headline payroll number will be artificially high through about the middle of the year, when the impact of the temporary Census workers recedes.

While it is encouraging to finally expect job growth after the loss of 8.5 million payroll jobs since the recession started in December 2007, the key to how fast the economy will grow is the level of job creation versus labor force growth. At current labor force participation rates, it takes about 100,000 new jobs to keep the unemployment rate steady. If participation rates increase (as we expect), it will take even more job growth to keep the unemployment rate the same. Given the general lack of credit availability, political uncertainty, and permanent structural job losses, we believe that monthly private job growth exceeding 200,000 is unlikely in the near future. This will keep the unemployment rate elevated and leave the Fed on the sidelines.

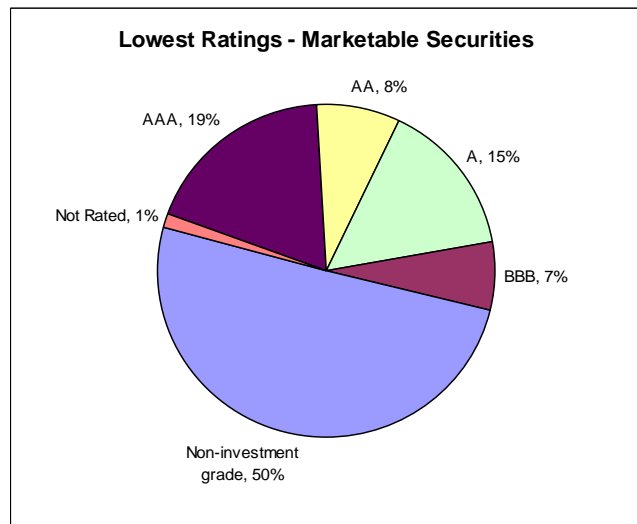
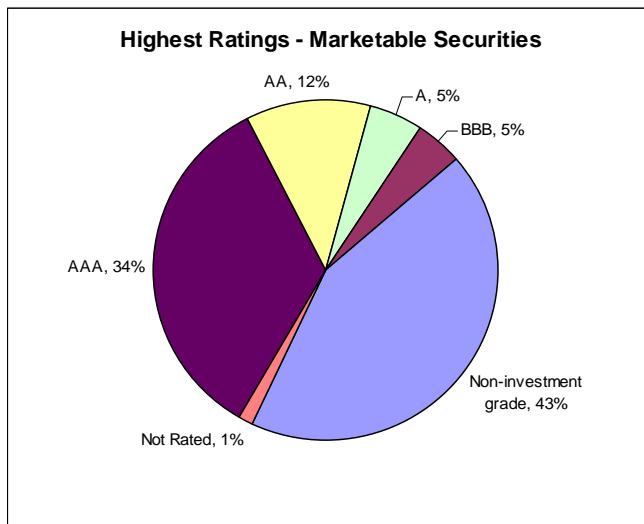
Members United Outlook

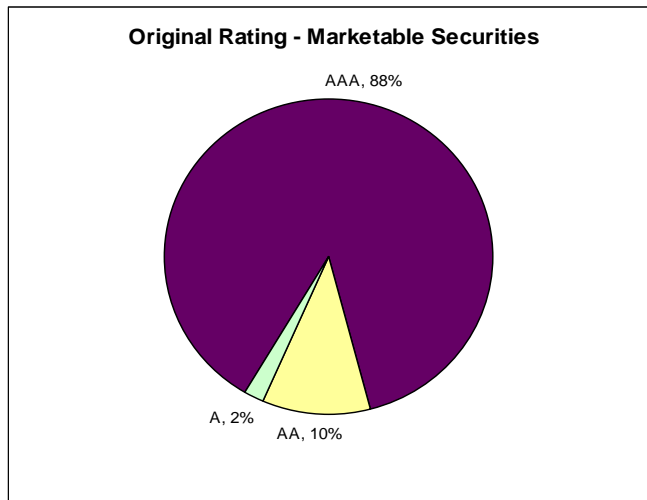
Interest rates are essentially flat from the prior month. The futures market continues to price in the first rate hike in July/August and cumulative rate hikes of 40 basis points for 2010. We continue to believe that the Fed stays on hold for 2010. Given that Bernanke was recently confirmed by the Senate (albeit by the closest vote in modern history for a Fed chairman), we believe that the Fed will continue its path of loose monetary policy to offset deflation risks. Inflation concerns will take a backseat until the economy is on solid footing. Please note that the Fed has recently discussed increasing the discount rate in the near term. This should not be viewed as a tightening of monetary policy. It is more a reflection of the improvement in liquidity in the banking sector. The discount rate/Fed Funds rate spread has traditionally been 100 basis points, but that spread was compressed to 25 basis points as the Fed encouraged banks to borrow to maintain adequate liquidity. Given the improvement in liquidity, we expect the discount rate/Fed Funds spread to gradually return to the 75-100 basis points level.

Portfolio Overview

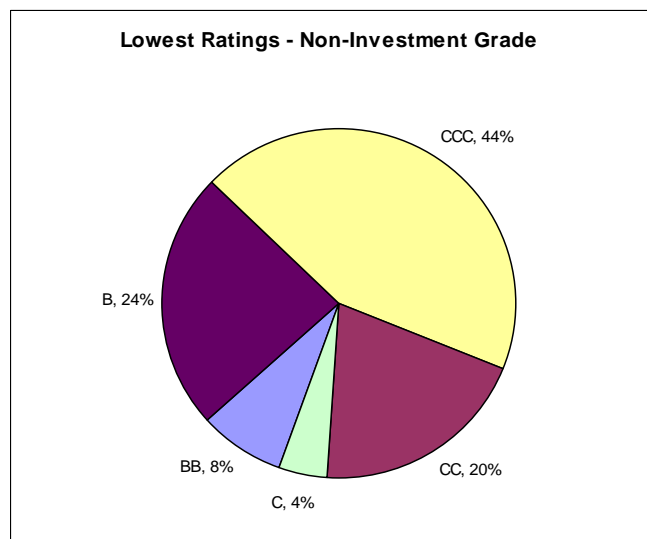
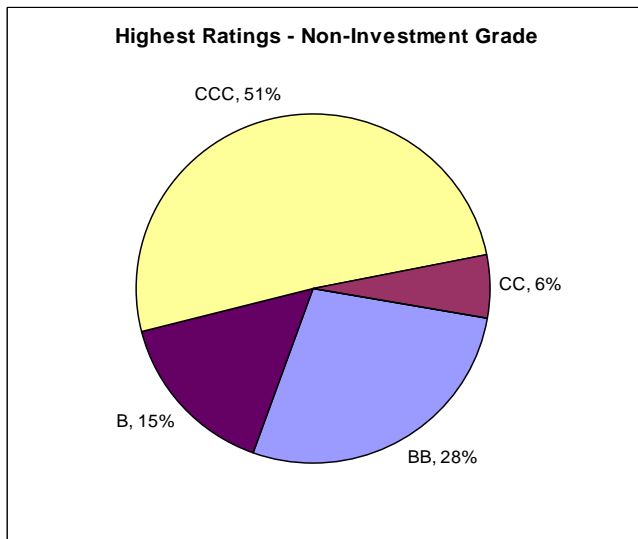
Credit risk is the risk that the par value of an investment will not be returned (fractionally or as a whole). Members United manages credit risk through continual monitoring and rigorous modeling of its investment securities. Members United has the regulatory authority to hold investment securities with a rating of BBB or higher. If an investment held by the corporate falls below BBB, an investment action plan must be prepared and filed with the NCUA, demonstrating the anticipated performance of the security and any potential loss exposure to future cash flows (periodic interest and principal payments). The ability to continue to hold investments below BBB are subject to the approval of the NCUA.

Members United presents three charts below. The first chart provides a ratings breakdown of Members United's current marketable securities holdings using the highest current rating available. The second chart provides the same breakdown using the lowest current rating available. The third chart shows a breakdown using the original rating assigned to the security. These charts summarize the portfolio ratings as of January 31, 2010 (total par value of approximately \$5.1 billion):





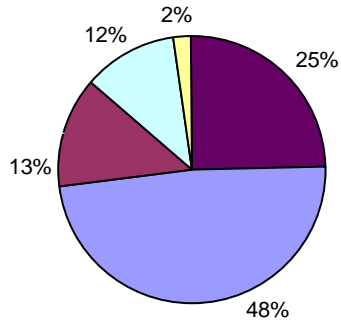
The following charts provide additional ratings information for the non-investment grade portion of the portfolio as of January 31, 2010 (total par value of approximately \$2.2 billion for the highest-rating scenario and \$2.4 billion for the lowest-rating scenario):



Asset Composition

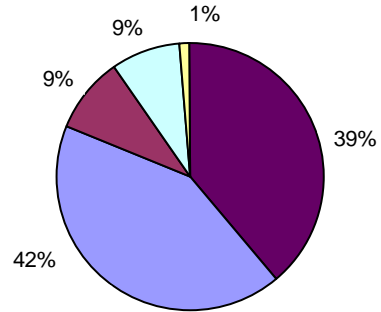
As of January 31, 2010, the total fair value of assets was \$8.5 billion. Cash and cash equivalents and overnight deposits at U.S. Central totaled \$3.31 billion, fair value of marketable securities represented \$3.58 billion, loans to members totaled \$0.73 billion, term deposits at U.S. Central totaled approximately \$0.79 billion and accrued income and other assets totaled \$.09 billion.

**Members United Asset Composition
January 31, 2009**



- Cash and cash equivalents
- Investment securities, at fair value
- Term deposits with U.S. Central
- Loans, net
- Accrued income and other assets

**Members United Asset Composition
January 31, 2010**

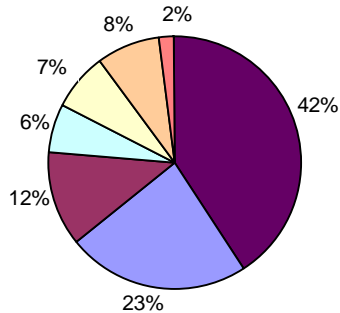


- Cash and cash equivalents
- Investment securities, at fair value
- Term deposits with U.S. Central
- Loans, net
- Accrued income and other assets

Invested Assets

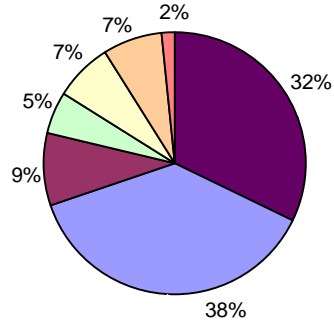
Asset allocations based on book value within Members United's invested asset portfolio are shown below. Cash and cash equivalents have increased substantially over the last year to 38% of total investments, while term deposits with U.S. Central have been reduced to only 9% of total investment assets.

**Invested Assets Breakdown
Book Value as of January 31, 2009**



- Non-agency mortgages
- Cash and cash equivalents
- Term deposits with U.S. Central
- Corporates
- CMBS
- ABS
- Agency mortgages

**Invested Assets Breakdown
Book Value as of January 31, 2010**



- Non-agency mortgages
- Cash and cash equivalents
- Term deposits with U.S. Central
- Corporates
- CMBS
- ABS
- Agency mortgages

Total Investment Portfolio

The table below summarizes Members United's total available-for-sale (AFS) securities by category, as of January 31, 2010:

(All dollar amounts are reflected in thousands)

	Par Value	Book Value	Unrealized Loss*	Fair Value
Non-agency mortgages	\$ 3,240,018	\$ 2,849,188	\$ (977,856)	\$ 1,871,332
Asset-backed securities (secured by non-mortgage assets)	641,289	641,540	(36,273)	605,267
Commercial mortgage-backed securities	639,255	648,611	(142,922)	505,689
Corporates	474,649	451,895	(19,588)	432,307
Agencies (mortgage and SBA pass-throughs)	137,239	137,236	(836)	136,400
Mutual fund and other	37,983	30,387	-	30,387
Total investment securities	\$ 5,170,433	\$ 4,758,857	\$ (1,177,475)	\$ 3,581,382
*Excludes net unrealized loss on derivative instruments of \$27,688.				

Mortgage-Related Securities

While the pace of decline in home values appears to have declined, a record number of homes remain in some stage of foreclosure and have yet to be sold or liquidated. As a result, home values are at risk of seeing further declines, and residential mortgage-related investments could experience further deterioration in performance. The following table provides more information on Members United's non-agency mortgage-related holdings as of January 31, 2010:

(All dollar amounts are reflected in thousands.)

Mortgage Portfolio Category	Par Value	Book Value	Percent of Non-Agency, Mortgage-Related Securities (Par Value)	Percent of Total Invested Assets*
Total non-agency mortgage exposure	\$ 3,240,018	\$ 2,849,188	100%	32%
Prime	847,250	767,226	26%	8%
Sub-prime (FICOs < 680)	858,649	785,502	27%	9%
Alt-A	1,534,119	1,296,460	47%	15%

*Invested Assets = Book value of AFS securities + deposits at U.S. Central + cash and cash equivalents

Monoline Insurance Companies

One common method of providing credit enhancement for structured finance investments is the use of an insurance "wrap" from a monoline insurer, which guarantees the timely payment of interest and principal. Most monoline insurers continue to experience significant losses from guarantees they made on credit default swaps (CDS) and collateralized debt obligations (CDO) backed by residential mortgage securities. (Members United does not own any CDOs or hold any CDS contracts.) These losses continue to negatively affect monoline insurer capital ratios, leading to downgrades of their insurance financial strength ratings.

Residential mortgage-backed securities wrapped by FGIC, Syncora Guarantee (SGI) and CIFG have been subjected to other-than-temporary impairment (OTTI). Effective November 24, 2009, FGIC ceased paying claims on its insured obligations per an order issued by the New York Insurance Department. SGI ceased paying claims effective April 2009. Also of note, during 2009 Ambac reported significantly greater than expected losses on its residential mortgage insured exposures, eliminating a significant portion of its regulatory capital cushion. Ambac, MBIA and FSA (now Assured Guaranty Municipal or AGM) continue to pay all claims in full as they become due per current contractual terms.

The following table highlights Members United's monoline insurance exposure. We note again that holding amounts are reported on a book value basis and are net of any recorded OTTI:

(All dollar amounts are reflected in thousands.)

Monoline	January 31, 2010 Total Holdings Wrapped	January 31, 2010 Total Holdings Wrapped (% of Invested Assets*)
Ambac	\$ 322,879	3.65%
MBIA	331,663	3.75%
FGIC	100,253	1.13%
AGM (f.n.a. FSA)	73,534	0.83%
SIG (f.n.a. XLCA)	14,757	0.17%
CIFG	4,582	0.05%
Total	\$ 847,668	9.58%

*Invested Assets = Book value of AFS securities + deposits at U.S. Central + cash and cash equivalents

Interest Rate Risk

Members United is exposed to some amount of interest rate risk, as changes in interest rates can affect net interest income and the value of our balance sheet. One common measure used to capture interest rate risk is net economic value (NEV), which measures the net change in the value of our assets, liabilities and off-balance sheet items, given a change in interest rates. Members United adheres to NCUA's Rules and Regulations Part 704 and analyzes NEV monthly using instantaneous and parallel interest rate shocks of up to 300 basis points – a very aggressive assumption designed to produce a “stress test” of the balance sheet. In addition, Members United also periodically evaluates the impact to NEV through changes to yield curve point values, prepayment rates, volatility, credit spreads and basis risk. The resulting market value data information and deviation to “base case” results is reviewed with Management and ALCO.

The chart below demonstrates NEV test results for January 2010. Base-case NEV figures reflect the impact of unrealized losses, which we continue to believe are largely temporary. The most severe scenario of a 300 basis point, instantaneous rise in interest rates reflects a decline in NEV of approximately \$129.1 million – or 12.15%.

(All dollar amounts are reflected in thousands.)

Net Economic Value			
January 31, 2010			
	Net Economic Value	Dollar Change	Percentage Change
Base case net economic value	(1,063,199)	-	-
300 basis point rise in rates	(1,192,331)	(129,132)	(12.15%)

Valuations reflected in the base NEV calculation continue to be constrained due to market illiquidity and the failure of current market prices to capture true economic value, if the securities are held to maturity. Members United continues to monitor this dislocation in valuations through regular comparisons of internal option adjusted (OAS) spread-derived prices with prices received from third-party pricing services. Differentials between these two pricing approaches remain quite wide, as most asset-backed security (ABS) sectors remain thinly traded and quotes from market makers and third-party pricing sources continue to reflect deep discounts and a sizeable liquidity premium. We note that as market liquidity eventually improves, this dislocation in market pricing is expected to gradually correct itself, eventually leading to a reduction in unrealized losses reported in base NEV measures.

In addition to NEV computations, Members United executes monthly net interest income (NII) forecasts under instantaneously shocked and ramped-rate scenarios. These are typically 12-month, forward-looking forecasts that are calibrated to the same sector volumes utilized in NEV modeling. Repricing characteristics are reviewed monthly and are adapted to current market conditions, as applicable, to ensure that the most robust assumptions are applied in the forecast simulations. The following table illustrates Members United's projected NII over the next 12 months. As is appropriate with NEV modeling, Members United captures the embedded options (prepayment speeds, "call" provisions, etc.) associated with all on- and off-balance sheet instruments.

(All dollar amounts are reflected in thousands.)

Net Interest Income Projection			
January 31, 2010 (12-month projection)			
	Net Interest Income	Dollar Change	Percentage Change
Base case net interest income	34,053	-	-
300 basis point rise in rates	51,945	17,892	52.54%

Liquidity Risk

Liquidity risk addresses the ability to create liquidity to fund cash flow requirements, both expected and unexpected, which usually result from share withdrawals and member loan requests. Liquidity risk is mitigated by the amount of currently available liquidity. This can be in the form of cash that can be immediately utilized or in readily available sources of liquidity such as borrowings. The following table outlines our sources of liquidity as of January 31, 2010:

(All dollars are reflected in thousands)

Current Liquidity			
Cash and short term deposits	\$ 699,976		
Source of Liquidity	Gross	Used	Net
FHLB Chicago line of credit	\$ 160,000	\$ 100,000	\$ 60,000
US Central - advised line	700,000	62,296	637,704
Available-for-sale securities - sales	1,460,333	-	1,460,333
Available-for-sale securities - borrowings	582,772	-	582,772
Fed funds	883,000	-	883,000
Subtotal	3,786,105	162,296	3,623,809
Total	\$ 4,486,081	\$ 162,296	\$ 4,323,785
Total member loans		\$ 730,000	
Balances at the FRB		\$ 2,609,166	

Strong share growth at natural person credit unions has led to high deposit balances at Members United. Most of the balances continue to be concentrated in overnight and short term deposits. We expect seasonal trends to continue to support above trend credit union liquidity as federal tax refunds will start to go out to individuals in February. Members United's available cash positions remain robust with \$2.6 billion at the FRB and an additional \$700 million at other overnight depository accounts.

Derivative Positions

Members United uses interest rate swaps to manage interest rate risk and has never used derivatives to hedge credit risk associated with a specific investment. For example, if Members United made a five-year, fixed-rate loan to a credit union, Members United would enter into an interest rate swap to convert the fixed rate to a variable rate. There can be a nominal amount of credit risk if the counterparty should fail to perform under the terms of the contract. Members United manages credit risk by using comprehensive credit-approval processes, selecting only creditworthy counterparties and using effective collateral administration. In addition, Members United requires legally enforceable netting arrangements, which permit netting of transactions with the same counterparty.

The amount of credit exposure is limited to the interest receivable and the fair market value of the derivative contracts in gain positions, reduced by the value of any collateral pledged by the counterparty. As of January 31, 2010, there was no credit exposure with our derivative counterparties.

Financial Plan Update

Members United continues to follow a financial plan that is designed with one goal in mind – to minimize the ultimate losses to our member credit unions by holding securities until they mature. While principal losses are expected, the losses would be greater if the securities were sold in the current market. In summary, Members United continues to:

- Participate in the Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP)
- Continue suspension of mortgage investment purchases
- Hold securities until they recover in value
- Use cash inflows to pay down debt and store cash
- Reduce operating expenses to preserve capital

Members United remains focused on following this plan and is achieving the desired results. Cash balances exceed \$3.3 billion, external borrowings have been reduced and significant operating expense savings continue to be realized.

Financial Results for January 31, 2010 (excluding OTTI)

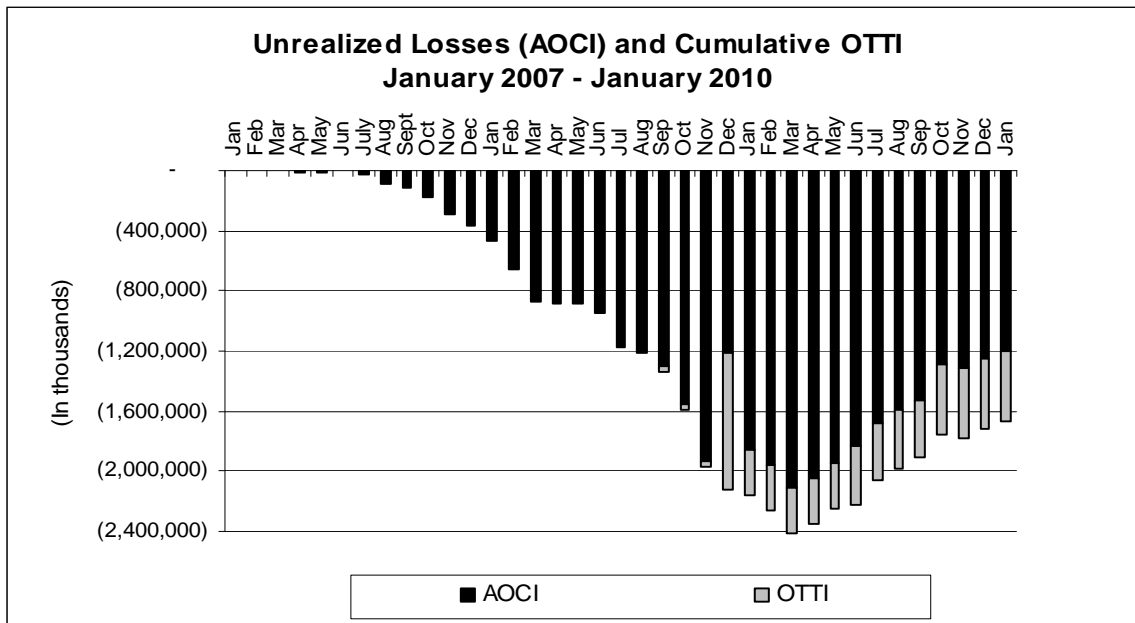
Full financial results are not available for January 31, 2010 as Members United is in the process of performing its investment OTTI review to determine the level of additional losses to record as of December 31, 2009. Ideally, this information will be audited by the independent accountants to ensure their concurrence. Due to the complexity of the issue and the importance of being as precise as possible, we are targeting April 30, 2010 to release the full financial results. In lieu of providing full financial results, the following financial highlights are provided for the month of January 31, 2010.

- Core net income, excluding the OTTI loss estimates, totaled \$1.8 million.
- Operating expenses were \$1.0 million less than the prior year.
- Liquidity is adequate as cash and cash equivalents total \$3.3 billion
- Capital totaled \$149.8 million as of January 31, 2010 prior to any OTTI charges that may result from the aforementioned review that is underway. Capital consisted of membership capital shares in the amount of \$145.0 million plus \$4.8 million of retained earnings.

Members United expects to record additional OTTI losses once McGladrey & Pullen completes their review of the estimate to be recorded as of December 31, 2009. These losses are expected to result in a retained deficit and Members United will be required to deplete membership capital shares in accordance with NCUA Rules and Regulations Part 704.2 and as further clarified in the NCUA letter to credit unions No. 09-CU-10 "Matters Related to 'Paid-in Capital' and 'Membership Capital' of Corporate Credit Unions". At this time, Members United believes that existing capital in the amount of \$149.8 million will be sufficient to absorb losses that will arise from the OTTI review.

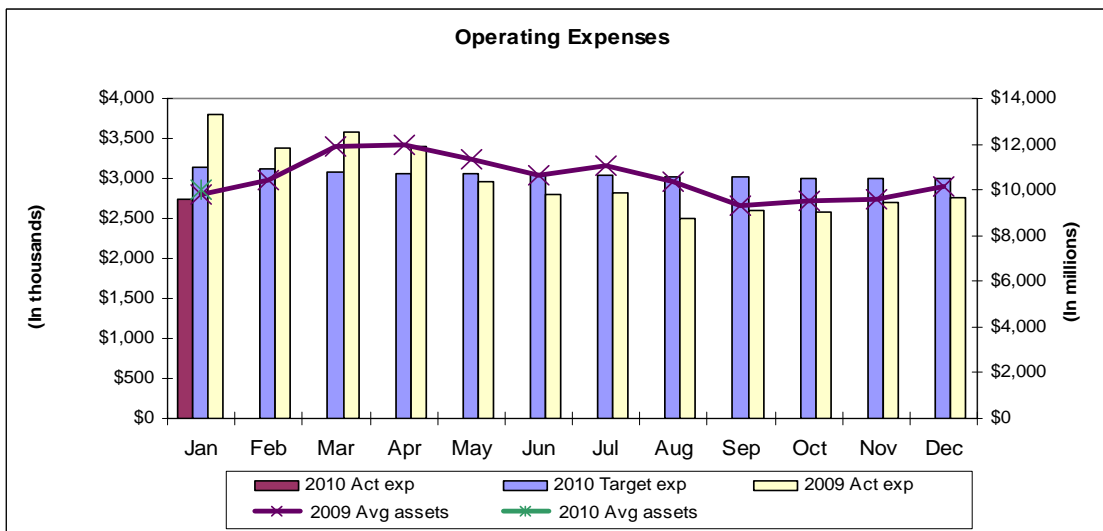
Valuation Trends

Please note that the following chart aggregates the current unrealized loss (AOCI) and all OTTI that has been recorded since September 2008. Aggregating this data improves comparability of this trend since OTTI essentially represents a reclass from the balance sheet (AOCI) to the income statement (OTTI), when losses are deemed other-than-temporary. In summary, these aggregated balances represented a loss of \$2.4 billion as of March 31, 2009, which has improved to an aggregated loss of \$1.67 billion as of January 31, 2010.



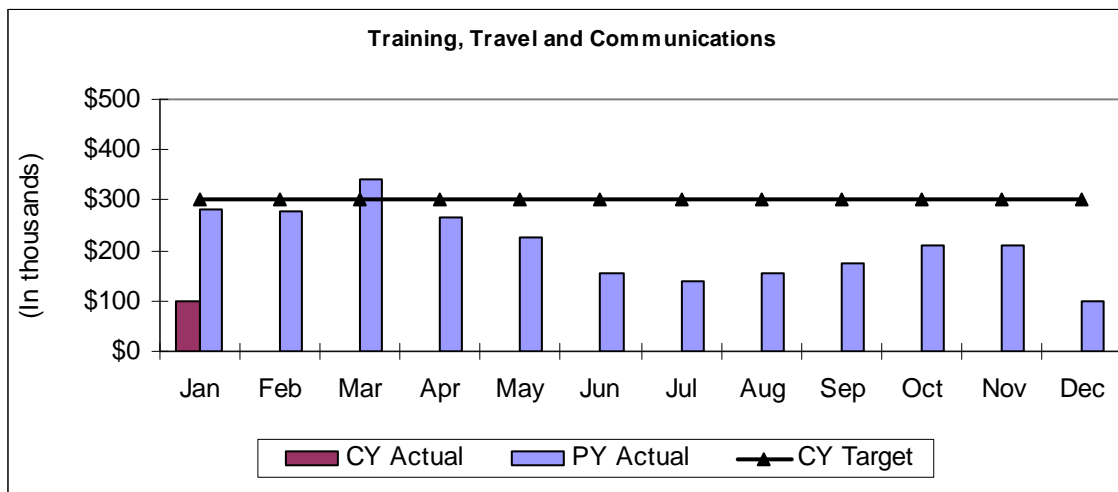
Total Operating Expenses - Plan Update

Members United continues to realize significant cost savings relative to prior years. For the month ended January 31, 2010, total expenses are \$1 million **less** than expenses incurred for the same period in 2009.



Travel, Training and Communication Expense – Update

Travel, training and communications expense is approximately 10% of the total annual operating expense budget and represents a primary focus of the cost savings initiatives in 2010. These expenses totaled \$100,000 for the month of January 2010. The following table presents results against plan.



From 12/25/09 through 1/24/10 (the applicable expense reporting period), the executive leadership team expense reports totaled \$3,474 for travel-related expenses. This included costs associated with eight trips. Four of these trips occurred during the applicable expense reporting period and four are for future travel. At January 31, 2010, the executive leadership team includes Joe Herbst, Todd Adams, Kevin Brauer, John Collins and Ron Koza. The following table provides more detailed information regarding leadership team travel:

Leadership Team Travel and Expenses					
January 31, 2010					
Date	Name	Costs	From/To	Purpose	
1/10-1/12	Collins	\$ 587	Chicago to Albany	Meetings with staff in the Albany office	
1/11-1/12	Herbst	264	Albany to Warwick, RI	Town hall meeting in Rhode Island	
2/2-2/4	Herbst	132	Minneapolis to Orlando to Albany	NCUA town hall meeting in Orlando	
2/1-2/2	Herbst	150	Chicago to Sioux Falls, SD	Town hall meeting in South Dakota	
2/22-2/24	Herbst	219	Albany to Baltimore	Governmental Affairs Conference	
1/4-1/6	Koza	823	Chicago to Albany	Meetings in the Albany office	
1/13-1/15	Brauer	979	Albany to Chicago	Staff and vendor meetings in the Warrenton office	
2/22-2/24	Brauer	320	Albany to Baltimore	Governmental Affairs Conference	
Total travel related expenses		<u>\$ 3,474</u>			

Summary

Members United appreciates your continued support and patience as we navigate through these turbulent financial markets. We remain committed to contributing to the long-term financial success of our members and will continue to work towards minimizing any losses incurred.

Contact Information

For questions related to any information contained in this update, please contact any of the following individuals:

Todd Adams, Chief Financial Officer, todd.adams@membersunited.org.
 Jackie Jessen, Chief Risk Officer, jackie.jessen@membersunited.org
 Ronald Koza, Chief Investment Officer, ronald.koza@membersunited.org.
 Kevin Brauer, Senior Vice President, kevin.brauer@membersunited.org.